GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3700
ANSWERED ON:27.04.2007
NORMS FOR DE-LISTING OF COMPANIES
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Will the Minister of FINANCE be pleased to state:

(a) the details of new norms proposed by Securities and Exchange Board of India (SEBI) for de-listing companies;

(b) whether any alternative mechanism to book building methods has been prescribed by SEBI;

(c) if so, the details thereof;

(d) the reasons for converting the guidelines on this subject to regulations;

(e) whether any public comments have been sought on this issue; and

(f) if so, the details thereof and the action taken thereon?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) The following major changes have been proposed by SEBI in the delisting framework:
(i) conversion of guidelines into regulations,
(ii) a different method of price discovery,
(iii) requirement of minimum subscription,
(iv) time-lines for various activities, and
(v) reporting requirements.

(b) and (c) Yes, Sir. Concept paper on proposed delisting regulations put on the SEBI website for public comments proposes a fixed price mechanism as against price discovery through book building method. Under the proposed mechanism, the price would be higher of:

(i) the fixed price which would be the floor price plus a premium of 25%. The floor price would be determined in terms of regulation 20 of SEBI (Substantial Acquisition of shares and takeover) Regulations.

(ii) fair value determined by an accredited rating agency plus a premium of 25%.

(d) The Securities Laws (Amendment) Act, 2004 amended the Securities Contracts (Regulation) Act, 1956 to provide that a stock exchange may delist securities, after recording reasons therefore, on any of the grounds as may be prescribed in the rules. It empowered central government to make rules to provide for the grounds on which the securities of a company may be delisted from a recognized stock exchange. In pursuance to this, it has been decided to amend the Securities Contracts (Regulation) Rules, 1957 (SCRR) to provide for the grounds for delisting, while the manner of delisting and the procedural details would be provided in the Regulations to be made by SEBI under the Act.

(e) and (f): Comments were sought on all the proposals, including this issue, contained in the concept paper. This has received mixed response. However, in the interest of investors, it is necessary to have the statute backed rules and regulations on delisting.